

MUNICIPAL TRANSPORTATION AGENCY
City and County of San Francisco

Resolution No. 01 - 012

WHEREAS, Proposition E (Article VIIIA of the City Charter), approved by the voters in November, 1999, authorizes the Agency's Board of Directors to appoint a director of transportation to be employed pursuant to an individual contract; and,

WHEREAS, By Resolution No. 00-026, dated March 7, 2000, the Municipal Transportation Agency approved the Appointment and Compensation Agreement between the City and Michael T. Burns ("Agreement") and appointed Mr. Burns the Director of Transportation; and,

WHEREAS, Section 8A.102 states that "the Municipal Transportation Agency shall provide an incentive compensation bonus plan for the director of transportation based upon the Agency's achievement of the milestones adopted pursuant to Section 8A.103; and,

WHEREAS, Section 6 of the Agreement between the City and Michael T. Burns, entitled "Performance Review and Evaluation", states that the incentive program based upon mutually agreed upon goals and criteria, shall be incorporated into the contract by an amendment to the contract; and,

WHEREAS, The City's consultant has prepared an incentive compensation plan, entitled "General Manager's Incentive Compensation Plan Recommendations", dated February 20, 2001, which is attached hereto and has been received and reviewed by the MTA Board of Directors and by the Director of Transportation; now, therefore, be it,

RESOLVED, That the Municipal Transportation Agency Board of Directors hereby approves and adopts the "General Manager's Incentive Compensation Plan Recommendation" for Michael T. Burns, Director of Transportation required by Section 8A.102 (c) of the City Charter and, be it,

FURTHER RESOLVED, that the Incentive Compensation Bonus Plan shall be implemented for Fiscal Year 2001 (July 1, 2000 through June 30, 2001).

I hereby certify that the foregoing resolution was adopted by the Municipal Transportation Agency Board of Directors at its meeting of FEB 20 2001.

R. Boomer
Secretary, Municipal Transportation Agency Board

**CITY AND COUNTY OF SAN FRANCISCO
THE MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS**

General Manager's Incentive Compensation Plan Recommendation

February 20, 2001

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BACKGROUND:

Proposition E was passed in response to public requirements for dramatic improvement in the performance of the Municipal Transportation Agency. The proposition redefined the structure and authority of the Municipal Transportation Agency, the Board of Directors and the General Manager of the Agency. Prop E also defined the employment terms and both the level and components of the compensation package to be paid to the General Manager in order to achieve required Agency performance objectives.

Director's Employment Terms

- Serves at the pleasure of the Board of Directors of the Agency.
- Employed under an individual employment contract.
- Held accountable for the achievement of the performance requirements defined in Prop E.

Director's Compensation Terms

- **Level of Compensation** - Comparable to the compensation of the chief executives of the public transportation systems in the United States that most closely resemble the Agency in size, mission and complexity, as determined by an independent survey.
- **Components of the Compensation Package** - Includes an incentive compensation bonus plan in addition to base pay.
- **Incentive Bonus Performance Measures** - The incentive bonus plan is to be based upon the Agency's achievement of the performance milestones approved by the Board of Directors of the Agency in June 2000.

Rationale:

The employment and compensation terms for the Agency Director are intended to achieve the following objectives:

- Employment and retention of a top quality executive
- Dramatic improvement in the quality of the Agency' performance
- Measurable accountability at the Director level for performance of the Agency
- Reinforcement of performance objectives with incentive compensation

GENERAL MANAGER INCENTIVE BONUS PLAN DESIGN SUMMARY & RATIONALE

Incentive Bonus Plan Objectives:

- Meet Prop E requirement for incentive compensation plan to reinforce General Director's performance standards
- **Rationale:** Establish a direct, visible linkage between achievement of performance standards and incentive pay. Use bonus to emphasize key performance standards and the total balance of effort and leadership across all Prop E objectives.

Incentive Bonus Opportunity:

- The total compensation opportunity for the Director under the plan will be up to \$15,000 or 7.5% of base compensation.
- **Rationale:** While use of incentives for city transit executives is not typical, the total opportunity of \$15,000 (7.5%) was derived based on the following comparisons:
 - Transit Executive Incentive: Atlanta – up to 30% of pay, Houston – 5 to 10% of pay
 - San Francisco M&A Pay for Performance – up to 3%

Incentive Plan Performance Factors:

- The \$15,000 opportunity will be earned based on performance against all five service areas set for the General Manager:
 - System Reliability
 - System Performance
 - Staffing Performance
 - Customer Service
 - Employee Satisfaction
- There will be two types of performance factors with different upside opportunity to emphasize particular aspects of performance.
- **Key Service Performance Standards** - Up to \$9000 of the bonus opportunity will be based on performance against three key, overall System Reliability standards:
 - Percent of vehicles that run on time according to published schedules
 - Percent of missed service hours due to either insufficient vehicles of driver unavailability
 - Miles between road calls
- **All Other Performance Standards** – Up to \$5000 of the bonus opportunity will be based on performance on all other standards. Each standard will have an equal, specific dollar value.
- **Rationale:** Emphasizes and incents performance on key, overall measures while recognizing the importance of all standards.

INCENTIVE PLAN EARNING OPPORTUNITY & RATIONALE:

- Key Service Performance Factors will have a straight line sliding scale earning opportunity up to \$8000

- **Example:**

Percent of vehicles that run on time according to published schedules

Fiscal Year 2000:	Actual Performance – 45.5%
Fiscal Year 2001:	Threshold Performance to start earning bonus – 55.5%
	Target Performance – 65%
Bonus Earned:	Below 55.5% on time earns \$0 - At 55.5% earns \$1000
	From 55.5% - 65% earns straight line up to \$3000 total

Percent of missed service hours due to either insufficient vehicles of driver unavailability

Fiscal Year 2000:	Actual Performance – 4.45%%
Fiscal Year 2001:	Threshold Performance to start earning bonus – 4.0%%
	Target Performance – 3.5%
Bonus Earned:	Decrease to 4.0% on time earns \$0 - At 4.0% earns \$1000
	Decrease from 4.0% - 3.5% earns straight line up to \$3000 total

Increase miles between road calls

Fiscal Year 2000	Actual Performance – 1518 miles
Fiscal Year 2001	Threshold Performance to start earning bonus - Increase miles to 1593 (5% increase)
	Target Performance – 1745 miles (15% increase)
Bonus earned	Increase below 1593 miles earns \$0 – at 1593 miles earns \$1000
	Increase from 1593 to 1745 earns straight line up to \$3000

- **Rationale:** Emphasizes these three overall measures that encompass performance on a variety of levels. Sliding scale reflects the degree of difficulty to attain the target measure and rewards for the value of clear improvement on each key performance measure.

INCENTIVE PLAN EARNING OPPORTUNITY & RATIONALE:

- **All Other Performance Factors** will have a “cliff” design such that the Director will earn no compensation if he does not achieve the standard set by the Board for the performance factor.
- **Example:**
 - System Performance Standard – Manage expenses by mode within budget**
 - Actual expenses within budget – Full bonus value earned
 - Actual expenses exceed budget by \$1 or more - \$0 bonus earned
- **Rationale:** Emphasize the “all or nothing” nature of performance on these many factors that build up to the two Key Service Performance Factors.

INCENTIVE BONUS PLAN ADMINISTRATION & RATIONALE:

- **Implementation:** The Bonus Plan will be implemented for Fiscal Year 2001 (July 1, 2000 – June 30, 2001)
- **Rationale:** Fiscal Year 2001 is the first full fiscal year since the approval of Prop E. The General Manager was part of the MBEA Pay for Performance Program from his hire in 1999 through Fiscal Year 2000.
- **Duration:** This proposed bonus plan will be in effect for up to four fiscal years (FY 2001, 2002, 2003, 2004). No later than FY 2005 the bonus plan design will be reviewed and rewritten to reflect the then current situation and/or any new voter imposed requirements.
- **Rationale:** Allows current bonus plan to remain in place for the duration of multi year performance standards. Gives the Board of Directors flexibility to amend or revise the plan as necessary and requires periodic redefinition of bonus plan terms.
- **Board of Directors' Annual Responsibilities:**
 - Establish the measurements for each standard and assure measurement information is available
 - Determine performance priorities by assigning the amount of dollars to be earned for each standard
 - Define the annual (onetime) performance objectives and the multi year objectives
 - Conduct the performance appraisal of the Director and review the data reporting performance against the standards
 - At fiscal year end – Confirm the actual bonus dollars earned based on the recorded actual level of performance relative to the performance standards.
- **Rationale:** Assures that the Board of Directors is involved in the successful implementation of the bonus plan.

INCENTIVE BONUS PLAN DEVELOPMENT:

This Incentive Bonus Plan was developed to meet objectives defined by Prop E. The process for plan design and approval are as follows:

Context for Plan Design:

- The Prop E compensation requirements for the Director result in this being the highest paid position in the City and County of San Francisco.
- The Agency Director's employment is at risk as his employment contract can be cancelled at the will of the Agency Board.
- Other SF City executives are eligible for the MBEA Pay for Performance Program that provides for payments of 2% to 3% of pay based on performance.
- The Incentive Compensation Plan provides for payments of 0% to 7.5% of pay to the Agency Director.

Incentive Plan Design:

- The Office of the Controller and the City Projects Division together with H. Welton Flynn, the Chairman of the Board of Directors of MUNI are responsible for the development of the General Manager's Incentive Bonus Plan.
- Compensation Consultant Gussie Stewart was retained as a third party to support the development of the plan.

Incentive Plan Approval:

- The General Manager of MUNI is accountable for performance and compensation to the MUNI Board of Directors.
- The Incentive Bonus Plan will be presented to the MUNI Board of Directors for approval at their February 20, 2001 meeting.

Exhibit D: Actual Performance to Date Relative to Individual Service Standards

Service Standards		FY01 Target	FY00 Actual	FY01 Actual*
A. SYSTEM RELIABILITY				
Percent of scheduled service hours that are delivered				
2a. and percentage of scheduled vehicles that begin service at the scheduled time.	At least 96.5%	1-4Q: systemwide availability: 95.6%	1-2 Q: systemwide availability: 96.3%	
Percent of vehicles that pass published time points during measurement periods unable to pick up				
4a. passengers due to crowding without being followed within 3 minutes or less by another vehicle on the same route with space for all waiting passengers.	Less than 5%		1-2 Q: overall 0.12%	
Percent of scheduled service hours that are delivered				
5a. Peak period passenger load factors.	No greater than 85%		1-2 Q: overall 74.6%	
Actual headways against scheduled headways on all radial, express, cross-town, secondary, and feeder lines for peak, base, evening, and night services.				
6a. Within 30% or 10 minutes of scheduled headway 80% of the time			1-2 Q: 50% overall average	
Percent of vehicle availability and reliability.				
7a. No less than 98.5%	1-3 Q: 98.89%	1-2 Q: 98.6%		
Unscheduled absences by operator, mechanical and administrative personnel.				
8a. FYTD Reductions: Maint: 5%; Operations: 10%; Admin: 5%	1-4 Q: Maint: 8%, Transp: 14.4%, Admin: 5.3%	1-2 Q: Maint: 8.1%, Transp: 14.1%, Admin: 5.0%		
B. SYSTEM PERFORMANCE				
Percent of scheduled service hours that are delivered				
1b. Increase passengers carried by mode.	Increase by 2%			
FY99 Annual Weekday Boardings: Motor Coach: 92,978,418; Trolley Coach: 78,275,162; LRV: 35,659,856; 78,987,465; LRV: 40,888,243; Cable Car: 9,701,321				
FY00 Annual Weekday Boardings: Motor Coach: 99,104,658; Trolley Coach: 78,987,465; LRV: 40,888,243; Cable Car: 9,498,148				

*Second quarter FY01 data derived from DRAFT Service Standards report.

Exhibit D: Actual Performance to Date Relative to Individual Service Standards

Service Standards		FY01 Target	FY00 Actual	FY01 Actual*
2b.	Increase fare revenue generated by mode.	Increase by \$1.6m	FY99 Annual Cash Fare: Motor Coach: \$14,831,010; Trolley Coach: \$13,806,986; LRV: \$7,276,355; Cable Car: \$9,171,606; Total all modes: \$97,648,760	FY00 Annual Cash Fare: Motor Coach: \$15,029,825; Trolley Coach: \$13,847,068; LRV: \$8,520,994; Cable Car: \$9,851,119; Total all modes: \$99,064,059
3b.	Increase hours and miles operated by mode.	Increase by 1.2%	FY99 Annual Revenue Hours/Miles: Motor Coach: 1,376,900 hrs/12,388,078 mi; Trolley Coach: 1,006,735 hrs/7,027,340 mi; LRV: 426,400 hrs/3,955,172 mi; Cable Car: 120,930 hrs/494,485 mi	FY00 Annual Revenue Hours/Miles: Motor Coach: 1,377,052 hrs/12,395,536 mi; Trolley Coach: 1,014,636 hrs/7,064,874 mi; LRV: 474,018 hrs/4,314,232 mi; Cable Car: 129,672 hrs/523,642 mi
4b.	Manage expenses incurred by mode within budget.	Remain within budget	FY00 Budget (\$ in millions): Motor Coach: \$127.4; Trolley Coach: \$78.6; LRV: \$84.1; Cable Car: \$30.8 (Actuals not published)	FY01 Budget (\$ in millions): Motor Coach: \$137.5; Trolley Coach: \$85.2; LRV: \$80.5; Cable Car: \$31.6 (Actuals not published)
C. STAFFING PERFORMANCE				
1c.	Net vacancies by position.	No greater than 5%	% Vacant as of 7/1/00: Operators: 5.4%; Maintenance: 9.6%; Admin: 11.8%; GM Admin: 11.8%	% Vacant as of 12/31/00: Operators: 3.7%; Maintenance: 11.8%; Admin: 13.9%; GM Admin: 25%
2c.	Attrition rates for new employees, by division and level.	No greater than 10%		1-2 Q average attrition: Operators: 36.7%; Maintenance: 18.9%; Admin: 1.9%; GM Admin: 50%

*Second quarter FY01 data derived from DRAFT Service Standards report.

Exhibit D: Actual Performance to Date Relative to Individual Service Standards

Service Standards		FY01 Target	FY00 Actual	FY01 Actual*
D. CUSTOMER SERVICE				
Development of an annual marketing plan identifying				
1d. specific programs and projects that will promote increased patronage.		Develop plan by 1/1/01		First draft presented to Board on 1/16/01.
Publication and distribution to the public of schedule for all trips taken by all vehicles which shall consist of specific arrival times at terminals and established intermediate points.				
2d.		Publish complete timetable during FY 2001		
Reduce operator conduct complaints; achieve timely resolution of complaints.				
3d.		PSRs*: Resolve 75% in 30 days and reduce by 10%	FY99-FY00 Reduction: -6.3% (No resolution time available)	1-2 Q average: 92.5% resolved in 30 days
Annual passenger surveys and follow-up by management.				
4d.		Conduct Rider & Employee Survey		
Improvements in public information regarding vehicle delays during operations as well as general user information regarding modifications, route changes, and schedules.				
5d.		Review Rider Survey results		
Efforts to improve driver training, technical as well as accident follow-up.				
6d.		100,000 hours of driver training and 5% reduction in accidents		1-2 Q: 52,988 hours; Average Quarterly Accidents FY00: 758; Accidents Reduced by 5% from 1-2 Q
Number of crime incidents on MUNI vehicles or MUNI facilities.				
7d.		Reduce by 5%	4th Q FY98: 692; 4th Q FY99: 581	Average Quarterly Incidents FY00: 616; Actual Incidents 2nd Q FY01: 761

*Second quarter FY01 data derived from DRAFT Service Standards report.

Exhibit D: Actual Performance to Date Relative to Individual Service Standards

Service Standards	FY01 Target	FY00 Actual	FY01 Actual*
E. EMPLOYEE SATISFACTION			
1e. Quarterly report on number of grievances.	Report quarterly on number of grievances		1st Q. report completed
2e. Speed of resolution of grievances.	Resolve 75% of internal grievances within 30 days		
3e. Longevity of employment.	Report annually on longevity of employment		
4e. Employee recognition	Recognize monthly and quarterly honorees in established categories		
5e. Employee education and training opportunities.	Provide 50,000 hours of training annually		1-2 Q: Maintenance: 4,392 hours; Admin: 11,524 hours

*PSR= Passenger Service Report

**Increase attributed partly to improved reporting due to special MUNI police detail assigned to pickpocketing.

*Second quarter FY01 data derived from DRAFT Service Standards report.

Exhibit E: Gussie Stewart: Statement of Qualifications

Gussie Stewart has been a compensation consultant for ten years. She has worked with business founders, CEO's, Boards of Directors and executive management teams in the public, not for profit and corporate sectors to clarify the alignment of their personal goals, values and expectations with the strategies and operating objectives of their organizations.

Her consulting work grew out of fifteen years of experience in compensation management and human resources at Levi Strauss & Co. Gussie's work focussed on developing and implementing performance management and rewards programs congruent with operating strategy as well as organization culture and values.

As the Director of Compensation for a Fortune 100 company, Gussie spearheaded a corporate-wide effort to define principles based on organization values as a basis for a total compensation program redesign. The changes included the redefinition of the corporate financial and operational performance measures used to drive compensation as well as the redesign of the performance management and rewards programs.

She has developed and implemented new and changed long term and annual executive incentive plans, sales incentive and performance plans, base salary and performance management programs. Gussie has successfully gained unanimous approval of comprehensive change programs by creating the strategy, processes and tools to construct a productive working platform with CEO's, Board Chairmen and Boards of Directors. She implements and effectively communicates and markets new programs to employees by establishing a context and rationale for change grounded in organization values and objectives.